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Steps to effective sales planning

Here's a seven-step approach to better territory management

by [Neil Gillespie](#)

Remember that time and territory management program you attended? It was meant to focus your time on accounts that yield the most sales, while optimizing your call schedule to maximize productivity. If you feel this time-honored but seldom adhered to practice never really works, you're not alone. It rarely works anymore for good reason.

Sales managers probably took the course and then had their salespeople attend. But later, they found it difficult to make their call plans work. Perhaps they graduated to a slightly higher form of sales planning like key account management. But that didn't work either. Why don't these disciplines work? Here are the biggest impediments and showstoppers I've seen:

Most customers want you to visit on demand. At today's pace of business and the trend to 24/7 service, customers won't wait for salespeople to "get around to them." Customer surveys show most customers prefer inside salespeople, when they need them! Only strategic issues and big problems warrant outside sales, technical specialists or sales management's attention on-site.

Too much "re-action," not enough "pro-action." It's easier to respond to customer requests from existing accounts vs. selling new concepts to new people. So salespeople wait for requests, explaining they are too busy handling existing customer business. While this is true for some superstars, if you diligently measured penetration of each account's potential, your marginal players might not be able to offer this explanation for their lack of new business development. The real problem might be found in the next item . . .

Imbalance of product vs. services. As outside salespeople saw more and more functions performed more easily and on demand by inside salespeople, they needed to graduate to higher planes of selling. Most didn't. One reason is there are many manufacturer-created and sponsored product training programs, but few training programs on selling integrated supply or systems contracts, how to calculate acquisition cost savings from supplier consolidation or how to sell calculated benefits of vendor-managed inventory. Most outside salespeople haven't been trained for their new role as customer consultant. Some made the leap on their own, but they are the stars with natural instincts in this direction. Stars are born, but competence can be taught.

Too much tactics, not enough strategy. In sales, strategy is about getting to the right accounts to see the right people to

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determine the issues, while tactics are what you say and do once you get there. Sales management typically coaches tactics but fails to provide strategic focus and discipline. Everybody wants to play the game. Few prepare game plans. Without a coach who does both, sales managers can only coach situations that salespeople get themselves into.

Your manufacturers aren't in sync on target accounts. What salesperson wants to approach an account and find out their manufacturer's rep or agent gets the business direct or with another distributor? If you don't look at all the prospects with your reps and decide which potential accounts are good targets, this nasty little phenomenon will take the wind out of salespeople's fragile sails faster than you can say, "demotivation."

What's the cure?

Any cure should respond to the symptoms. Hence, I've organized a step-by-step approach to treat not only the symptoms, but the root cause: a lack of strategic focus. That's where the process should start. Here are seven steps to sales planning success:

1) Segment your accounts: A good place to start is with larger accounts where you have a substantial position already. You want to protect these (even enhance your position), by offering them your best service levels. You also want to make sure salespeople focus their time with these accounts, knowing all the purchase influencers and their issues.

Given the coming shift to on-line sales, it's even more important to single out your key accounts and make sure you continue to satisfy their needs, on-line access included.

Segment your accounts into key, key prospect, B and C accounts using the 80/20 rule, where key accounts are those 20 percent that make up 80 percent of your sales. It is acceptable to deviate from the 80/20 rule if your sales are more concentrated, or if the 20 percent is too many for your sales force to handle. In that case, cut back to the top 10 percent. Here are more tips for performing this task:

Minimum for key accounts. Make note of the minimum sales for the "top X percent." Call this "key minimum."

Key accounts already exceed the minimum purchases.

Key prospects have the potential to purchase the key minimum, if you received 50 percent or greater of their available annual purchases. More about this later.

B accounts should be accounts where it is economically feasible (and effective) to assign a salesperson. For most companies, this exceeds \$20,000 per year.

C accounts are all other accounts that don't meet the minimum for B accounts.

Eliminate C accounts from outside sales' responsibility. They probably don't call on these anyway, and if you are paying commission or bonuses based on performance of

C

accounts, they're getting a windfall they don't deserve.

2) Adjust account assignments: Take a look at the number of accounts assigned to each salesperson. Assess your sales force. If most distributors think about their satisfaction with their sales force, they'll probably conclude that out of every 10, they have two to three superstars, four to six "keepers" and two to three candidates for replacement.

I ask sales managers to identify the six most important capabilities of an outside salesperson. The most common list looks like this:

- Ability to cover all sales influencers at their accounts
- Ability to listen to customer needs and devise solutions
- Ability to get cooperation from supplier associates
- Ability to get cooperation from their company associates
- Ability to sell value and negotiate a fair price for it
- Product and applications knowledge

Your list may differ. Share your list with your management team. Post it and make a column for each management team member next to the list. Give each member 10 votes. Then "vote" for the six. Team members may put as many of their 10 votes on the six as they want. When done, total the votes. Take each capability's total as a percent of the total votes. Use this percentage as a weight.

The sales manager can use this as a rough template to develop his own weights, adjusting to his or her taste, as long as they add up to 100 percent.

Then, the sales manager rates each salesperson on each capability on a 1 to 5 scale, 5 being best.

- 1 Very poor
- 2 Poor
- 3 Fair
- 4 Good
- 5 Excellent

Multiply the weight for each factor times the score. Determine the total scores and separate salespeople into three groups to approximate the relative distribution of "stars," "keepers" and "drop candidates."

If you don't know enough about your salespeople, fill your knowledge gaps. Think of ways to test their capabilities. Test them with questions, ride-alongs, etc.

You probably will use the account profile as part of your test. Develop questions that test salespeople's knowledge of business drivers (your's and the customer's), such as customer profitability components, product strategy based on their quality/ price position vs. competitors.

Reorganize account assignments to get a balanced focus and coverage of: market segments, geography and right mix of skills matched to the account. You should not necessarily tie a salesperson to a branch and an account just because the account is in the branch's shipping territory. You limit sales potential this way. This is old style, based on your need to measure things by branch or optimize call patterns. The customer doesn't care about this, and neither should you. Match the right salesperson to the accounts within reason, so salespeople don't have to travel enormous distances.

How do you handle "replacement candidates"? Many distributors won't replace people for one reason: they haven't identified replacements. The best way to fire someone is to hire someone else. Identify replacement candidates, make offers and hire them. If you're having trouble identifying people, ask your suppliers and customers to help. And, there are always classified ads.

3) Scan the territory: Define your market by SIC code. Perhaps you've coded all your customers for market segment. However, if you want to dive into a database for "look-alikes" that aren't customers, you need to know their SIC codes. Though the country is gradually transitioning to a new system, databases still use SIC codes, so you still have to speak this language.

So, develop a table of SIC codes in your segment. If you haven't coded your accounts, do this using Dun & Bradstreet MarketMatch (www.imarketinc.com), which takes your customer master file, locates it in the D&B database and provides the D&B record containing the SIC code, numbers of employees and other useful information.

Depending on the accuracy of your address, company naming and phone number information, expect a 60 to 80 percent match. For the rest of your customers, if you know what kind of businesses they're in, look in MarketMatch's SIC code guide and code the account. Now, total your sales by SIC and your code. I usually create a custom lookup table with each client, mapping each SIC code to the client's custom market segment code. That way, if you know the SIC, you know the custom market segment.

Know all the business establishments and their annual potential. Using the D&B MarketPlace database, buy all records in your territory that match your SIC specifications. I call this a "suspect" list. Suppress the list you already bought during the MarketMatch operation to avoid buying these again. Full records cost about 35 cents apiece.

Rationalize duplicates. This process isn't perfect. You'll probably find some accounts in the D&B that the matching program missed in your customer master. It wasn't smart enough to match all the "fuzzy" information in your file. Attach your customer number to the D&B record if you think there's a match.

Calculate your business position at each establishment. Referring to the sales planning database diagram, add the

customers that didn't match D&B's list to the matched D&B file.

Then, add additional "suspect" records of companies with which you do no business. Buy these from D&B if you used the MarketMatch program. Using MarketMatch, suppress the matched records you previously bought. Using sales \$/employee factors from Industrial Market Information (www.mdm.com/mdm/market/imi.htm) or MarketTrack (for electrical; www.disccorp.com), multiply the number of employees at the site by the \$/employee estimate. If you included your salesperson code in your customer master file, you can see penetration for each salesperson. Plus, you can see your sales vs. estimated potential for each business establishment.

Meet with your salespeople to adjust the establishment potentials and save these in the database file. Explain that this process is not meant to nail them on their penetration, but to focus on the best opportunities. Otherwise, with an imperfect science, you'll get into arguments on accuracy.

Under direction of the sales manager, have salespeople prioritize the list like this:

- KC: key customer (no brainer; you did this in Step 1)
- KS: key suspect (no business yet, but big potential)
- KP: key prospect (already talking to them but no business yet, and has potential to be key customer)
- KCP: key customer prospect (customer with potential to be a key customer)
- LA: leave alone (untouchable for some commercial reason out of your control)
- TS: too small

4) Develop sales targets by account and prospect:

Develop a data file of purchases and gross margin by customer and product line. Don't attempt more than 20 major lines, and preferably get down to 12.

Calculate the sales targets for the coming year by product and market segment for each key account.

Adjust the sales targets for key accounts that make up 80 percent of your sales with each salesperson, plus prospects (after you interview them). There should be a sales target for each product line for each account!

Recalculate your new projected sales targets each time you make changes with a salesperson.

Go through the suspect and customer database list with local reps from six to eight key suppliers. Make a field for each supplier. Code each business establishment for the ripeness of the account opportunity, using the combined knowledge of your reps and the supplier rep.

- P = Pursue with this supplier
- OD = Other distributor has business with this supplier
- SD = Supplier has business direct

DPC = Don't pursue due to some commercial impediment
TBD = To be determined

5) Develop key account strategies: Develop a profile of each account that includes all decision influencers and other key information to help you develop sales strategies. The profile develops over time. Put down what you know initially. Then investigate. Do not set an account strategy until completing all opportunity scans. This is important. You will not get all the information in the first discussion with a sales rep. In fact, he or she will probably be a bit embarrassed that they don't know a lot of these things, but should. Stay with it!

After the first round, each round gets easier.

Here's sample information to include in your profile:

Your annual sales by product category for last year and year to date.

Account demographics: name, location and mailing addresses, SIC, corporate affiliations, headquarters location and headquarters contacts.

Competitive profile: brands preferred by product category, approximate purchases and suppliers preferred by product category.

Players, positions, departments, roles, telephone numbers, e-mail addresses, mailing addresses.

Key opportunities are where the rubber meets the road in sales planning. You don't sell accounts. You turn products and services into opportunities. For a sales manager to coach effectively, he needs feedback about the kinds of games his players are playing! Name each opportunity for each account. Use designations such as (these will vary by distributor type):

MRO: Capital projects, spot buys, blankets, systems contracts, integrated agreements.

OEM: Machine projects, custom; machine projects, repeating; new machine; redesign; component supplier change. (Note: OEM accounts are MRO accounts, too.)

Contractor: Product job quotes, miscellaneous items, blankets, specific commodity buys, miscellaneous item buys, shop stock, truck stock.

Key customer processes (specific to each manufacturing customer).

Products needs indicators: i.e., number of motors above "X" horsepower, which would indicate high potential for key products.

Service needs and pet peeves: Hand out a list of typical customer service features and interview key account contacts on how they are served by suppliers on each link in the service cycle. Your list will have items like accessibility,

courtesy and friendliness, location convenience, emergency service, brand acceptance, sales representation, technical support, order entry, delivery speed, fill rate, shipment accuracy, billing and after-sale service. Add your own special services, too. There's nothing like conversation on these items to get a customer to open up and provide food for a proposal.

Product and service interests: Find out which ways they would like to receive information (mail, in person, e-mail, Internet, floppy disk, CD-ROM, etc.).

Strategies: Which key opportunities will you develop and how? What product and service strategies will you present? What is your account proposal strategy by person/role?

Action plans: These are major steps you take to influence the account in order to develop the listed opportunities. This includes customer education, meetings, visits to your site, individual sales calls and the objective you want to accomplish with whom. Don't hold these to a date unless it's appropriate and under the control of your sales rep. No one plans that precisely, and customer schedules and willingness determine outcomes on planned actions. Try to get an action down to a month or quarter.

6) Monitor and manage progress: A good general knows his or her battle positions in all theaters of operation. That way, he can adjust strategies and allocate resources where needed. It's no different in sales. This is where the sales manager and troops work the plan. If the sales manager doesn't monitor "battle positions" (account opportunities) with each "lieutenant" (salesperson), they can't really help win battles, can they? You trust they'll bring the right situations to your attention.

If there is any part of the process where the wheels typically come off, it's here. That's because the sales manager either doesn't maintain his own review schedule, or lets the reps get away with letting account planning slide.

If your sales manager doesn't have the discipline to make this happen, forget about attempting it because it will fail. In contrast, stay on the review schedule, and make the salespeople do their due diligence.

In any case, here's a process for monitoring and review:

Develop reports to monitor monthly progress against sales targets for each salesperson, account and product category.

Sales manager reviews the key account list monthly with each salesperson.

Sales manager reviews individual account plans quarterly for performance of action items and to adjust future action items.

Sales manager makes strategic calls and joint calls on key accounts to assist the sales rep, double-team the account

and

call on people the rep may have difficulty reaching. The sales

manager can also help bring in key supplier people.

7) Stay on course: This step is for reflection and renewal. Prepare to repeat the process, this time on a higher plane.

Look back on the past year's sales planning and plan execution. Note what went well and what did not. Get feedback from salespeople and suppliers. Read new material on the subject and consult with other businesses that do it well. But be careful! Maintain your own vision of what needs to be; don't cave in to people who simply don't like putting in the effort.

Adjust your approach. Determine where you can improve your process. Abandon activities that get no return, or stop gathering information that does not contribute to needed strategic focus, account strategy or well-positioned sales tactics.

Reward success and tie it to your sales planning process.

Anything worth doing is worth doing well. The key to doing anything well is to drive your planning down to the strategic unit of work, stopping just short of the work itself. In the case of territory and sales planning, your salespeople sell products and services into specific opportunities influenced by certain people playing different roles.

If this is the case, then the plan needs to flow from a 50,000-foot level looking at all the potential accounts to a 5,000-foot level detailing how you get in favor with the right people at these accounts. Then, you need to plan how to keep the pressure on to develop opportunities into sales. Regardless of the level of detail you execute, those that learn to do this in one form or another will win.

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This article originally appeared in the September/October 1999 issue of Progressive Distributor. Copyright 1999.

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